

APPENDIX D

NATIONAL FLOOD INSURANCE PROGRAM GENERAL INFORMATION

Although flood insurance is sold by insurance agents directly to homeowners, community officials often receive inquiries regarding flood insurance.

The following information on flood insurance purchase requirements and insurance rates will provide answers to frequently asked questions.

In addition, a sample press release informing citizens of the availability of flood insurance is included here. It is helpful to occasionally remind citizens that flood insurance can be purchased so they can be protected before a flood occurs.

FLOOD INSURANCE COVERAGE

1. A flood insurance policy covers all direct losses by a flood. A flood is defined as a "general and temporary condition of partial or complete inundation of normally dry land areas from:
 - a. overflow of a lake, river, stream, ditch, etc.
 - b. unusual or rapid accumulation of surface water runoff.
 - c. sewer back-up when the structure is also damaged by surface flooding."
2. Structural and contents insurance coverage can be purchased for any walled and roofed building, including a mobile home on a permanent site. **Any building and its contents can be insured whether or not it is in a floodplain.** Flood insurance does not cover: personal injury or loss of life, cars, boats, animals, crops in the field, outdoor swimming pools, driveways, or personal contents in basements except washers, dryers, freezers and the food in the freezers which are covered as contents when located in a basement. Furnaces, water heaters, pumps, etc. are covered as structural items regardless of location.
3. Insurance purchase is required for all construction, improvement or purchase of structures in A zones (special flood hazard areas) which use federal assistance or commercial loans insured by the federal government.
4. Full replacement cost coverage is only available for a primary residence single-family home which is insured for 80 percent of the building's replacement cost at the time of loss, or the maximum amount of coverage available, whichever is less.
5. Insurance policies are sold through any agent who deals in property insurance. The "expense constant", which is the cost of processing and issuing policies, is \$50. In addition, there is a \$30 federal policy fee mandated by Congress to cover administrative expenses such as flood studies and federal floodplain management expenses.
6. The standard deductible for damages to a structure or contents is \$500 for post-FIRM building and \$1,000 for pre-FIRM buildings and emergency phase policies. Structures subject to subsidized rates have a \$750 deductible.

7. For additional information on flood insurance and rates, see your local insurance agent, or call toll free: 1-800-638-6620.

NOTES ON INSURANCE RATES FOR NEW CONSTRUCTION IN REGULAR PHASE COMMUNITIES

When a regular phase community permits a structure to be built below the 100-year flood elevation (either through a variance or negligence), the insurance rates for that structure will be significantly higher. In addition, those rates will apply to all future purchasers of that building if they are borrowing from a federally regulated supervised or insured lender.

The following chart prepared from the rate table on the following pages demonstrates the rate increase as the elevation of the lowest floor (including basement) decreases.

Structural Insurance

(rates per \$100 of coverage)

One-Foot Above 100-Year Elevation		State Building Code
First \$50,000	$$.43 \times 500 =$	\$215.00
Second \$20,000	$$.08 \times 200 =$	16.00
Expense Constant		50.00
Federal Policy Fee		<u>30.00</u>
		\$311.00
Zero-Feet Above 100-Year Elevation		
First \$50,000	$$.74 \times 500 =$	\$370.00
Second \$20,000	$$.08 \times 200 =$	16.00
Expense Constant		90.00
Federal Policy Fee		<u>30.00</u>
		\$466.00
One-Foot Below 100-Year Elevation		
First \$50,000	$\$1.88 \times 500 =$	\$940.00
Second \$20,000	$$.90 \times 200 =$	180.00
Expense Constant		50.00
Federal Policy Fee		<u>30.00</u>
		\$1200.00

The rates do go higher; however, the application for insurance for any building with its lowest floor more than 1 foot below the 100-year elevation must be sent to the FIMA for special rating.

REMEMBER: Allowing a structure to be built in the floodplain with the lowest floor (including basement) below the 100-year flood elevation will end up costing the first and all future owners money. In addition, the community is saddled with a property whose net worth steadily decreases, adversely impacting the tax base.

SAMPLE NEWS RELEASE

Flood Insurance Now Available for Property in this Community

WASHINGTON -- The Mitigation Directorate announced that the _____, Michigan is now participating in the NFIP, making flood insurance available to its residents. The community became eligible by adopting floodplain management regulations intended to prevent future losses due to flooding.

Effective _____, the community joined the more than 18,500 communities in the United States currently participating in the program. The FIMA, a part of the FEMA, administers the NFIP, a self-supporting government program that makes previously unobtainable insurance available to property owners in flood-prone communities at a reasonable price.

Through the NFIP, residents can insure their homes, businesses and property. The insurance limit, under the regular program, is \$250,000 for single-family homes and \$100,000 for contents. Renters, while they do not own the properties they live in, can protect their belongings. Businesses can be covered for up to \$500,000. The insurance can be bought through insurance agents either directly from the NFIP or, more commonly, through licensed private insurance companies.

Residents do not have to live within designated flood areas to purchase the insurance. However, residents within these areas are required by the Flood Disaster Protection Act of 1973 to purchase the insurance as a precondition to receiving a mortgage from any federally backed lender or loan program, such as the FHA. Lenders are required to notify prospective buyers if the property they plan to buy is located within a designated flood hazard area.

Under the strain of mounting disaster relief costs, the program was authorized by Congress in 1968 to find an alternative mechanism for responding to flooding, the most prevalent and costly natural disaster. Since implementation, the program has grown to include nearly 4.0 million policyholders and provides more than \$450 billion worth of coverage. All losses are paid for by the program's reserve fund, not taxpayers or the treasury.

On the following two pages are flood-insurance-rate tables developed by the FEMA. The FEMA updates this information from time to time. **For the most current version, please refer to the FEMA's homepage located online at www.fema.gov/nfip/manual05_04.shtm.** The document is stored in Adobe's Acrobat Reader™ format. Adobe's Acrobat Reader™ can be downloaded for free from:

www.adobe.com/prodindex/acrobat/readstep.html

TABLE 3A. REGULAR PROGRAM -- POST-FIRM CONSTRUCTION RATES
ANNUAL RATES PER \$100 OF COVERAGE
(Basic/Additional)

FIRM ZONES A99, B, C, X

OCCUPANCY		Single Family		2-4 Family		Other Residential		Non-Residential	
		Building	Contents	Building	Contents	Building	Contents	Building	Contents
BUILDING TYPE	No Basement/Enclosure	.48 / .14	.74 / .24	.48 / .14		.46 / .14		.46 / .14	
	With Basement	.56 / .20	.86 / .35	.56 / .20		.64 / .20		.64 / .20	
	With Enclosure	.56 / .21	.86 / .37	.56 / .21		.64 / .21		.64 / .21	
	Manufactured (Mobile) Home	.48 / .30	.74 / .24					.64 / .28	
CONTENTS LOCATION	Basement & Above				1.04 / .46		1.04 / .46		1.20 / .50
	Enclosure & Above				1.04 / .49		1.04 / .49		1.20 / .43
	Lowest Floor Only - Above Ground Level				.74 / .46		.74 / .46		.66 / .28
	Lowest Floor Above Ground Level and Higher Floors				.74 / .24		.74 / .24		.66 / .24
	Above Ground Level - More than One Full Floor				.18 / .12		.18 / .12		.18 / .12
	Manufactured (Mobile) Home								.55 / .38

FIRM ZONE D

OCCUPANCY		Single Family		2-4 Family		Other Residential		Non-Residential	
		Building	Contents	Building	Contents	Building	Contents	Building	Contents
BUILDING TYPE	No Basement/Enclosure	.68 / .25	.79 / .45	.68 / .25		.79 / .45		.79 / .45	
	With Basement	***	***	***		***		***	
	With Enclosure	***	***	***		***		***	
	Manufactured (Mobile) Home	.88 / .57	.88 / .57					1.76 / .64	
CONTENTS LOCATION	Basement & Above				***		***		***
	Enclosure & Above				***		***		***
	Lowest Floor Only - Above Ground Level				.79 / .45		.79 / .45		1.58 / .39
	Lowest Floor Above Ground Level and Higher Floors				.79 / .31		.79 / .31		1.58 / .39
	Above Ground Level - More than One Full Floor				.18 / .12		.18 / .12		.20 / .12
	Manufactured (Mobile) Home								1.58 / .39

FIRM ZONES AO, AH ("No Basement" Buildings Only)¹

OCCUPANCY	Building		Contents	
	1-4 Family	Other Res & Non-Res	Residential	Non-Residential
With Certification of Compliance ² (AOB, AHB)	.17 / .06	.17 / .06	.17 / .11	.17 / .11
Without Certification of Compliance or Elevation Certificate ³	.69 / .17	.80 / .30	.80 / .20	1.59 / .25

¹ Zones AO, AH Buildings With Basement/Enclosure: Submit for Rating

² "With Certification" rates are to be used when the Elevation Certificate shows that the lowest floor is equal to or greater than the community's elevation requirement.

³ "Without Certification" rates are to be used only on Post-FIRM structures without an Elevation Certificate or when the Elevation Certificate shows that the lowest floor elevation of a Post-FIRM structure is less than the community's elevation requirement.

***** SUBMIT FOR RATING**

NOTE: The definition of Manufactured (Mobile) Home includes travel trailers.

TABLE 3B. REGULAR PROGRAM -- POST-FIRM CONSTRUCTION RATES
ANNUAL RATES PER \$100 OF COVERAGE
(Basic/Additional)

FIRM ZONES AE, A1-A30 – BUILDING RATES

Elevation of Lowest Floor Above or Below BFE ¹	One Floor, No Basement/Encl		More than One Floor, No Basement/Encl		More than One Floor, With Basement/Encl		Manufactured (Mobile) Home	
	1-4 Family	Other Residential & Non- Residential	1-4 Family	Other Residential & Non- Residential	1-4 Family	Other Residential & Non- Residential	Single Family	Non- Residential
+4	.16 / .08	.16 / .08	.16 / .08	.16 / .08	.16 / .08	.16 / .08	.16 / .08	.16 / .08
+3	.16 / .08	.16 / .08	.16 / .08	.16 / .08	.16 / .08	.16 / .08	.17 / .08	.18 / .08
+2	.22 / .08	.22 / .08	.17 / .08	.17 / .08	.16 / .08	.16 / .08	.22 / .08	.21 / .08
+1	.43 / .08	.39 / .10	.27 / .08	.23 / .08	.17 / .08	.17 / .08	.47 / .09	.65 / .08
0	.74 / .08	.81 / .20	.55 / .08	.47 / .18	.37 / .08	.39 / .16	1.18 / .09	1.42 / .08
-1 ²	1.88 / .90	2.83 / 1.29	1.72 / .82	2.44 / .73	.91 / .47	1.06 / .66	***	***
-2	***	***	***	***	***	***	***	***

FIRM ZONES AE, A1-A30 – CONTENTS RATES

Elevation of Lowest Floor Above or Below BFE ¹	Lowest Floor Only -- Above Ground Level (No Basement/Encl.)		Lowest Floor Above Ground Level & Higher Floors (No Basement/Encl.)		More than One Floor With Basement/Enclosure		Manufactured (Mobile) Home	
	Residential	Non- Residential	Residential	Non- Residential	Residential	Non- Residential	Single Family	Non- Residential
+4	.21 / .12	.18 / .12	.21 / .12	.18 / .12	.21 / .12	.18 / .12	.21 / .12	.18 / .12
+3	.21 / .12	.19 / .12	.21 / .12	.18 / .12	.21 / .12	.18 / .12	.21 / .12	.18 / .12
+2	.21 / .12	.25 / .12	.21 / .12	.20 / .12	.21 / .12	.18 / .12	.21 / .12	.27 / .14
+1	.42 / .12	.39 / .20	.24 / .12	.30 / .12	.21 / .12	.18 / .12	.35 / .12	.44 / .21
0	.90 / .12	.75 / .50	.55 / .12	.52 / .30	.23 / .12	.25 / .12	1.02 / .12	.97 / .67
-1 ²	2.68 / .86	2.00 / 1.40	1.56 / .61	1.33 / .86	.31 / .12	1.02 / .12	***	***
-2	***	***	***	***	***	***	***	***

FIRM ZONES AE, A1-A30 – CONTENTS RATES

Elevation of Lowest Floor Above or Below BFE ¹	Above Ground Level More than One Full Floor			
	Single Family	2-4 Family	Other Residential	Non-Residential
+4		.18 / .12	.18 / .12	.18 / .12
+3		.18 / .12	.18 / .12	.18 / .12
+2		.18 / .12	.18 / .12	.18 / .12
+1		.18 / .12	.18 / .12	.18 / .12
0		.18 / .12	.18 / .12	.18 / .12
-1		.18 / .12	.18 / .12	.18 / .12
-2		.18 / .12	.20 / .12	.20 / .12

¹ If Lowest Floor is -1 because of attached garage, submit application for special consideration. Rate may be lower.

² Use Submit-for-Rate guidelines if the enclosure below the lowest elevated floor of an elevated building or if the crawl space (under-floor space) that has its interior floor 1 to 2 feet below grade on all sides, which is used for rating, is 1 or more feet below BFE.

*** **SUBMIT FOR RATING**

NOTE: The definition of Manufactured (Mobile) Home includes travel trailers.